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SOFT DRINKS □ BEER □ BOTTLED WATER □ WINE □ POWDERS □ JUICES □ SPIRITS

APRIL 22, 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

An HBJ PUBLICATION

'Pepsi Now!' in '83

New programs, TV spots fuel Pepsi's market push

By William R. Dolan

HONOLULU—In 1983, Pepsi-Cola will attempt to consolidate its take-home market gains of recent years, aggressively strike out at arch rival Coke's big lead in the food service/fountain area and continue to press its "Pepsi Challenge" taste-test campaign. The weapons in this latest salvo in the cola wars include a battery of new commercials for all products, continued discounting practices, a new emphasis on bag-in-box dispensing, renewed efforts to establish separate food service departments and the possibility of TV commercials broadcast during kids' Saturday morning shows (for caffeine free products).

More than 2,000 members of the Pepsi family, including guests, gathered here in early March, for the 36th national meeting of the Pepsi-Cola Bottlers Association. What

(Continued on page 17)

ATF petitioned to require caloric labeling

WASHINGTON, DC—A group of diet-conscious consumer and health care organizations has petitioned the government to require that all alcoholic beverages list their caloric content per serving.

Currently, light beers must include an analysis chart

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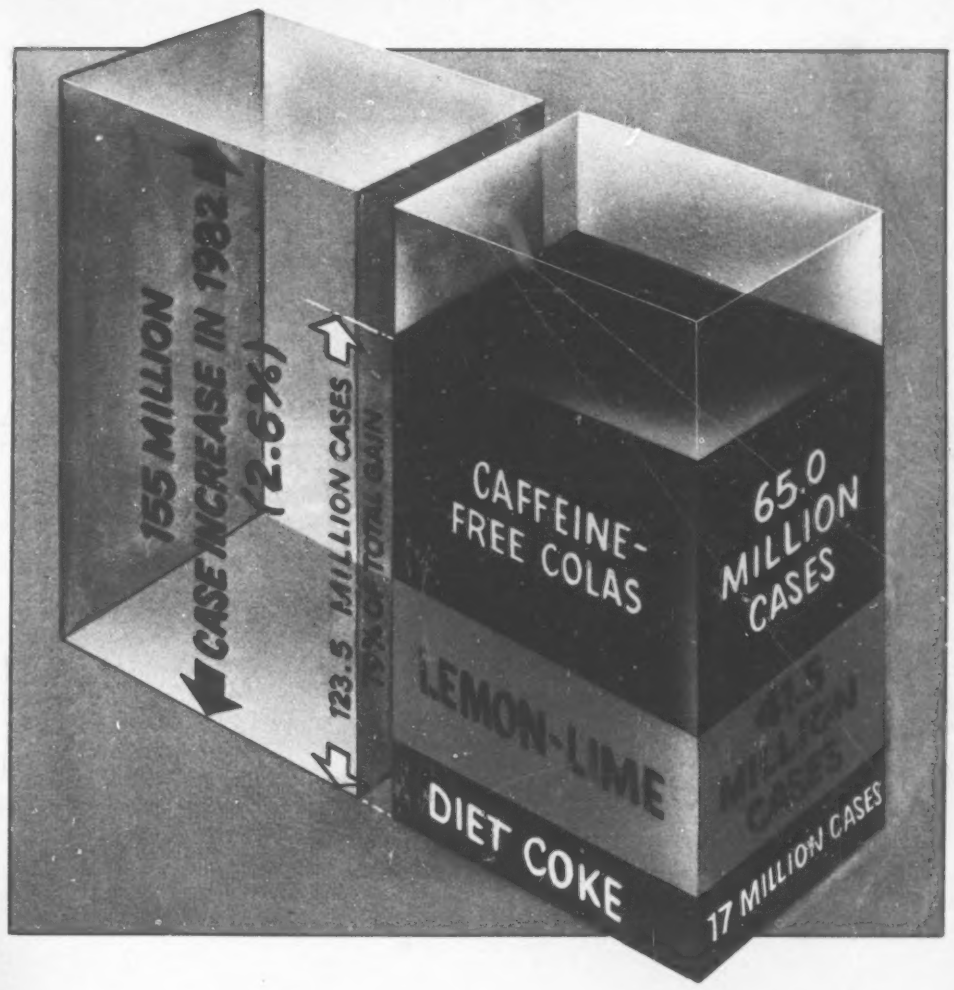

Diets, no-caffeines lead industry growth

By Gary A. Hemphill

EXCLUSIVE—Diet and caffeine-free brands led the soft drink industry in 1982, and were mostly responsible for the small growth the industry had.

Overall, lemon-lime consumption was up slightly in market share, along with orange and the "all others" category. Colas, root beer and pepper-type drinks were down in share, largely because of the caffeine issue.

Sales were up only 2.6% industrywide last year, just shy of 1981's 2.7% increase, according to John Maxwell, BI's director of research statistics.

Still, per capita consumption reached an all-time high at 40.1 gallons and some brands posted exceptional years, particularly the diet and caffeine-free brands.

For instance, while Royal Crown's sales volume increased a very respectable 6.8%, its RC 100 (regular and sugar-free) jumped a spectacular 145%.

Seven-Up had a remarkable year thanks to its "never had it, never will" no — caffeine advertising campaign. It boosted sales 12.2%, according to Maxwell, and replaced Dr Pepper as third most popular soft drink in the country.

Sunkist, which cracked the top 10 in 1981, continued its success story with an 18.4% boost. Diet Sunkist jumped 100%.

While root beer continued its overall decline in popularity, Barq's, A&W and Hires had good years.

Other companies posting good years included Shasta Beverages, Cadbury Schweppes USA, Crush International, Squirt Co. and Faygo.

There was only one change in the top 10 most popular soft drinks: Seven-Up and Dr

(Continued on page 13)

BI Week

•John Sculley has resigned as president of Pepsi-Cola USA and will become the new president of Apple Computers. Sculley's deal, reportedly valued at $7 million, includes a 5-year contract and $2 million signing bonus. Roger Enrico will replace Sculley.

• A&W Root Beer set to launch new television ads for both Sugar Free A&W and the regular version. New diet flight positions

(Continued on page 47)

BI Package of the Week

Carrier-Pak is designed to boost drive-thru sales

PURCHASE, NY—Pepsi is test marketing a four-cup paperboard Carrier-Pak to increase drive-thru soft drink sales at fast food outlets.

"There's no doubt this will increase sales," said David Stone, vp-marketing of food service. "Just how much we don't know yet."

The development is part of Pepsi's goal to increase fountain sales in 1983. **(See story, page 1.)**

The carrier with handle can hold four drinks in sizes up to 32-ozs. and opens up a myriad of merchandising possibilities for the retail outlet. The measurements of the package are 6¼ in. × 6½ in. × 8⅛ in.

Pepsi is hopeful this will halt the decline of soft drinks sold at drive-thru windows. Stone said the number of soft drinks sold per 100 sand-

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STATISTICAL REF INDEX
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Monsanto files petition for AN approval

WASHINGTON, DC—Taking its cue from the Food and Drug Administration (FDA), Monsanto has filed a new food additive petition seeking clearance for acrylonitrile (AN) beverage containers under the agency's proposed constituents policy.

The use of the new food additive has already been a bone of contention between the manufacturer and the FDA, with Monsanto arguing that since AN does not migrate at significant levels, it should not be considered a food additive.

FDA has established .17 parts per billion (ppb) to be a safe AN migration level

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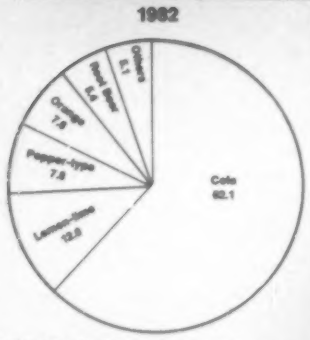

Soft drink industry boosted by diet soda

Diet and caffeine-free brands led the soft drink industry in 1982, and were primarily responsible for what little growth the industry had.

In **BI's** annual report on the soft drink industry's gains and losses of the previous year, issues discussed include the caffeine-free marketing boom, the decline in cola, root beer and pepper consumption, and the move Seven-Up has made in the top ten soft drinks, from fourth place into third place, replacing Dr. Pepper.

The most interesting trend, however, seems to be that most of the non-cola drinks have gained shares, and there is some thought consumers are looking for new taste sensations, according to John Maxwell, **BI's** director of research and statistics. See **page 1.**

New Pepsi ad push kicks off in Honolulu

The Pepsi-Cola Bottlers Association (PCBA) recently held its 36th national meeting in Honolulu, HI, and decided it would attempt to consolidate its take-home market gains of recent years and aggressively try to put a dent in Coke's lead in almost all areas of the market.

The new advertising theme for brand Pepsi-Cola is

"Pepsi Now!", a campaign combining the "hard" sell of the Pepsi challenge and the "heart" sell of the Pepsi generation themes. Backed by $40 million worth of TV advertising, the "Pepsi Now" campaign marks the 20th anniversary of Pepsi generation advertising. See **page 1.**

Hawaiian Punch hits soft drink market

Del Monte Corp., San Francisco, which produces Hawaiian Punch, has unveiled new advertising aimed at young adults rather than children, as in past years.

The company hopes the snappy campaign based around the theme "Sail Away" will attract young adults to buying the product, now positioned as a soft drink.

Hawaiian Punch comes in a variety of new packaging, including 16 oz. NR bottles, 12 oz. cans and 2-L PET. For more information on Hawaiian Punch's new marketing strategy, see **page 4.**

Green Spot aseptic drink plant opened

Green Spot Packaging, Inc., located in Claremont, CA, was incorporated in October 1981 to produce Green Spot fruit drinks in aseptic containers for the southwestern US consumer.

Using Brik Pak and/or

Tetra Pak fillers, production began of Green Spot drinks in aseptic packages about two years ago by some of their franchisees in the Far East.

Ground was broken on 5½ acres of land in January 1982 for the 60,000 sq. ft. Green Spot packaging plant and offices, which were completed in September 1982. Production began in December and the first shipments were made in January this year. See **page 28.**

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Soft drinks

(Continued from page 1)

Pepper switched positions. Coke remains first, followed by Pepsi, Seven-Up, Dr Pepper, Tab, Sprite, Diet Pepsi, Mountain Dew, Royal Crown Cola and Sunkist.

Maxwell's 1982 figures don't seem to reveal any startling trends, but there are some that deserve mentioning.

cola decrease

Maxwell suggests that the increase in market share for lemon-lime, orange and "all others" and the decrease for the colas could signify the beginning of a trend.

"Most of the non-cola drinks seem to have gained share, and there is some thought people are looking for new taste sensations, which may be at least partially true," he said in his report.

Others believe that a more plausible reason is the success story of individual brands that are increasing the market share of categories like lemon-lime.

"If you believe the market reports, colas have had more than 60% of the market for years. You don't think people are going to all of the sudden change their tastes," one industry source said.

"Fifty years ago chocolate and vanilla ice cream had 75% of that market and the same will be true 100 years from now. Some things just don't change," he added.

Other figures in the lemon-lime category add credence to that. While Coke's Sprite jumped 11%, Pepsi's Teem was off 28.6% and Dad's Bubble Up was slightly off with a 1.6% drop.

diet drinks

Diet and caffeine-free drinks should continue to hold an important place in the market, according to Maxwell.

"The diet area ... is approaching 15% of the overall soft drink market. In fact, if it had not been for the diet and caffeine-free colas, the cola section of the industry would have dropped even more share in 1982," Maxwell said. The cola segment dropped .5% in share last year and the diet segment of the market jumped 8.8%.

Even more caffeine-free drinks are expected to hit the market, like the one introduced by Dr Pepper.

"We feel that this will be a great growth area for the industry in 1983 and beyond. And products will increasingly annotate on their labels phrases like 'never had it, never will,' " Maxwell said.

Maxwell suggests that caffeine is probably the major factor in the loss of share by pepper-type drinks. Regular

Consumption of soft drinks, by company

1978 Mil. Cases	1978 Pct. Market	1979 Mil. Cases	1979 Pct. Market	1980 Mil. Cases	1980 Pct. Market	1981 Mil. Cases	1981 Pct. Market		1982 Mil. Cases	1982 Pct. Market	1981-82 Change
								Coca Cola Co.			
1,335.0	24.3%	1,365.0	23.9%	1,425.0	24.3	1,463.0	24.2%	Coca-Cola	1,478.0	23.9%	1.0%
158.0	2.9	165.0	2.9	171.0	2.9	178.0	2.9	Sprite	197.5	3.2	11.0
149.0	2.7	170.0	3.0	188.0	3.2	215.0	3.6	Tab	237.0	3.8	9.7
112.0	2.0	107.0	1.9	98.0	1.7	88.0	1.5	Fanta	80.0	1.3	(9.1)
46.0	0.8	43.0	0.8	39.0	0.7	34.0	0.6	Mr. Pibb	29.5	0.5	(13.2)
27.0	0.5	25.0	0.4	26.0	0.4	24.0	0.4	Fresca	19.2	0.3	(20.0)
—	—	38.0	0.7	50.0	0.8	53.0	0.9	Mello Yello	50.0	0.8	(5.7)
—	—	—	—	—	—	—	—	Diet Coke	17.0	0.3	—
19.0	0.4	23.0	0.4	25.0	0.4	26.0	0.4	Others	26.0	0.4	—
1,846.0	33.6	1,936.0	34.0	2,022.0	34.4	2,082.0	34.5	Total	2,134.2	34.5	2.5
								PepsiCo, Inc.			
969.0	17.6	1,022.0	17.9	1,056.0	17.9	1,104.0	18.3	Pepsi-Cola	1,120.0	18.1	1.4
130.0	2.4	156.0	2.8	169.0	2.9	179.0	3.0	Mountain Dew	175.0	2.8	(2.2)
127.0	2.3	142.0	2.5	154.0	2.6	173.0	2.9	Diet Pepsi	180.0	2.9	4.0
22.0	0.4	24.0	0.4	24.0	0.4	29.0	0.5	Pepsi Light	30.0	0.5	3.4
14.0	0.3	15.0	0.3	15.0	0.3	14.0	0.2	Teem	10.0	0.2	(28.6)
—	—	—	—	—	—	—	—	Pepsi Free and Sugar Free Pepsi Free	20.0	0.3	—
19.0	0.3	18.0	0.3	17.0	0.3	16.0	0.2	Others	15.0	0.2	(6.3)
1,281.0	23.3	1,377.0	24.2	1,435.0	24.4	1,513.0	25.1	Total	1,550.0	25.0	2.3
								Dr. Pepper Co.			
299.5	5.4	311.5	5.5	323.0	5.5	326.0	5.4	Dr Pepper	315.4	5.1	(3.3)
60.5	1.1	62.9	1.1	69.1	1.2	79.5	1.3	Sugar Free Dr Pepper	81.5	1.3	2.5
360.0	6.5	374.4	6.6	392.1	6.7	405.5	6.7	Total	396.9	6.4	(2.1)
								Canada Dry Corp.			
55.0	1.0	56.7	0.9	60.2	1.0	63.2	1.1	Ginger Ale	68.0	1.1	7.6
25.0	0.5	26.5	0.5	26.8	0.4	28.0	0.5	Tonic, Bitter Lemon	29.1	0.5	3.9
18.0	0.3	20.7	0.4	27.0	0.5	33.0	0.5	Club Soda	36.5	0.6	10.6
15.0	0.3	15.5	0.3	15.3	0.3	14.3	0.2	Barrelhead	13.0	0.2	(9.1)
5.5	0.1	5.0	0.1	4.0	0.2	4.2	0.1	Wink	3.4	0.1	(19.0)
40.0	0.7	38.0	0.7	31.0	0.5	25.0	0.4	Others	21.0	0.3	(16.0)
158.5	2.9	162.4	2.9	164.3	2.8	167.7	2.8	Total	171.0	2.8	2.0
60.0	1.1	57.0	1.0	54.5	0.9	44.0	0.7	Cott Corp.	38.5	0.6	(12.5)
31.0	0.6	31.0	0.5	30.0	0.5	31.6	0.5	Welch's	31.7	0.5	0.3
22.4	0.4	22.4	0.4	21.0	0.4	20.0	0.3	No-Cal	19.4	0.3	(3.0)
631.9	11.5	647.2	11.4	661.9	11.3	668.8	11.0	Grand Total	657.5	10.6	(1.7)
								Seven-Up Co.*			
322.0	5.9	320.0	5.6	317.0	5.4	301.0	5.0	7-Up	325.0	5.2	8.0
63.0	1.1	63.6	1.1	64.0	1.1	70.0	1.2	Diet 7-Up	79.0	1.3	12.9
—	—	—	—	—	—	—	—	LIKE	16.0	0.3	—
10.2	0.2	10.0	0.2	9.0	0.2	8.0	0.1	Dixie Cola	6.0	0.1	(25.0)
1.0	—	1.0	—	1.0	—	1.0	—	Howdy Flavors	0.5	—	(50.0)
396.2	7.2	394.6	6.9	391.0	6.7	380.0	6.3	Total	426.5	6.9	12.2%
											*Subsidiary of Philip Morris, Inc.
								Consolidated Chocolate Co.			
2.4	—	2.6	0.1	2.7	0.1	2.8	0.1	Chocolate Soldier	3.0	0.1	7.1
1.3	—	1.4	—	1.4	—	1.4	—	Brownie	1.4	—	—
1.8	—	1.9	—	2.0	—	2.0	—	Choc-ola	2.0	—	—
4.5	0.1	4.7	0.1	4.9	0.1	5.0	0.1	Other	5.4	0.1	8.0
10.0	0.2	10.6	0.2	11.0	0.2	11.2	0.2	Total	11.8	0.2	5.4
96.9	1.7	110.6	1.9	110.3	1.9	109.2	1.8	Grand Total	108.1	1.8	(1.0)
								Cadbury			
43.0	0.8	55.8	1.0	64.8	1.1	72.0	1.2	Schweppes USA, Inc.	81.5	1.3	13.2
								Crush International			
51.3	0.9	54.8	1.0	56.8	1.0	59.1	1.0	Hires, Crush, etc.	65.0	1.1	10.0
7.9	0.2	8.2	0.1	8.5	0.1	8.7	0.1	Sun Drop	9.5	0.1	9.2
59.2	1.1	63.0	1.1	65.3	1.1	67.8	1.1	Total	74.5	1.2	9.9
40.0	0.7	47.6	0.8	53.8	0.9	64.0	1.1	Squirt Co.	70.5	1.1	10.2
								A & W Beverages			
32.3	0.6	37.5	0.7	40.0	0.7	41.1	0.7	A & W	42.6	0.7	3.6
13.9	0.2	16.5	0.2	18.0	0.3	19.9	0.3	Sugar Free A & W	21.9	0.3	10.1
46.2	0.8	54.0	0.9	58.0	1.0	61.0	1.0	Total	64.5	1.0	5.7
								Dad's Root Beer Company			
34.0	0.6	33.5	0.6	34.1	0.6	34.0	0.6	Dad's Root Beer	32.6	0.5	(4.1)
17.0	0.3	16.0	0.3	15.6	0.3	18.5	0.3	Bubble Up	18.2	0.3	(1.6)
7.0	0.1	6.5	0.1	6.7	0.1	6.8	0.1	Diet Dad's	6.9	0.1	1.5
58.0	1.0	56.0	1.0	56.4	1.0	59.3	1.0	Total	57.7	0.9	(2.7)°

#Division of Consolidated Foods Corp. Total for 1982 includes C&C Cola volume for nine months.
°Subsidiary of United Brands Co.

(Continued on page 14)

Consumption of soft drinks, by company

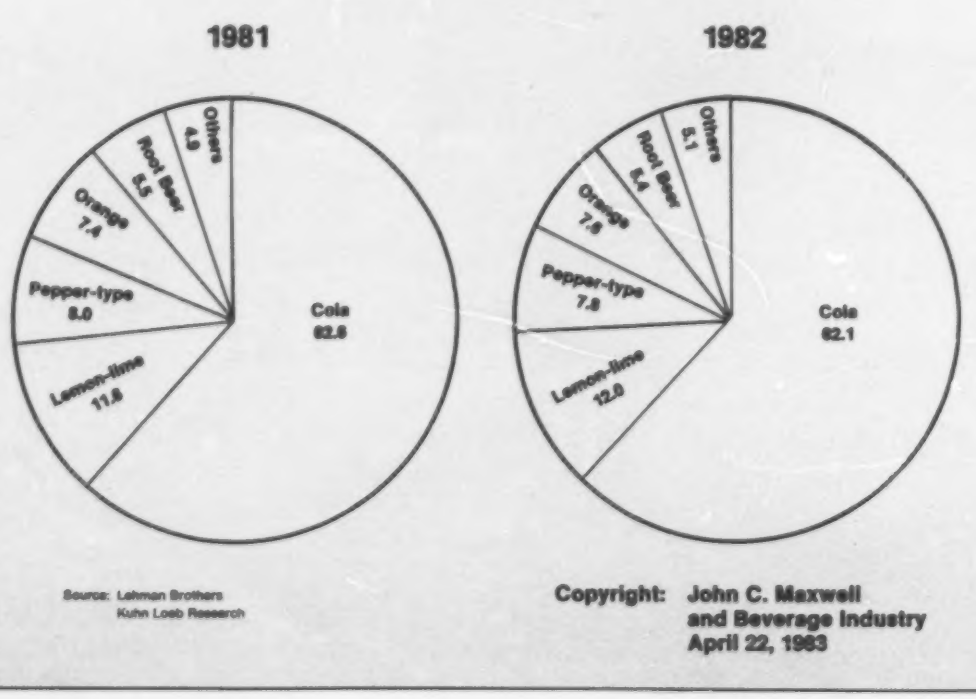
(Continued from page 13)

1978 Mil. Cases	1978 Pct. Market	1979 Mil. Cases	1979 Pct. Market	1980 Mil. Cases	1980 Pct. Market	1981 Mil. Cases	1981 Pct. Market		1982 Mil. Cases	1982 Pct. Market	1981-82 Change
35.8	0.7	39.1	0.7	39.9	0.7	39.0	0.7	Double Cola Co.	40.0	0.6%	2.0
26.1	0.5	23.9	0.4	22.1	0.4	25.2	0.4	Faygo	29.8	0.5	18.0
29.0	0.6	29.0	0.5	29.5	0.5	29.5	0.5	Frank's Beverages	28.0	0.5	(5.0)
7.9	0.1	11.6	0.2	13.9	0.2	16.9	0.3	Barq's	19.1	0.3	13.0
12.5	0.2	12.5	0.2	12.8	0.2	13.5	0.2	Cragmont (Safeway)	13.8	0.2	2.7
12.0	0.2	11.0	0.2	10.5	0.2	11.0	0.2	Check (Winn-Dixie)	12.0	0.2	9.0
9.3	0.2	9.9	0.2	10.2	0.2	11.0	0.2	Big K (Kroger)	11.5	0.2	4.5
8.5	0.1	8.0	0.1	8.0	0.1	7.2	0.1	Cotton Club	6.8	0.1	(5.0)
NA	—	2.6	0.1	2.9	—	3.1	0.1	Yukon (A&P)	3.5	0.1	12.5
5,012.7	91.1	5,274.4	92.5	5,504.8	93.7	5,691.5	94.3	Total	5,900.5	95.3	3.7
								Royal Crown Co.			
164.0	3.0%	159.0	2.8%	166.5	2.9%	149.0	2.5%	Royal Crown	144.0	2.3	(3.4)
								RC 100			
—	—	—	—	—	—	20.0	0.3	(Regular & Sugar Free)	49.0	0.8	145.0
40.2	0.7	38.0	0.7	37.0	0.6	37.0	0.6	Diet Rite Cola	35.0	0.6	(5.4)
53.5	1.0	53.0	0.9	50.0	0.8	43.0	0.7	Nehi and Others	38.0	0.6	(11.6)
257.7	4.7	250.0	4.4	253.5	4.3	249.0	4.1	Total	266.0	4.3	6.8
106.5	1.9	100.0	1.7	105.0	1.8	109.0	1.8	Shasta Beverages	129.0	2.1	18.3
								Sunkist			
9.0	0.2	35.0	0.6	76.0	1.3	88.0	1.5	Sunkist	96.0	1.6	9.1
—	—	—	—	2.0	—	10.0	0.1	Diet Sunkist	20.0	0.3	100.0
9.0	0.2	35.0	0.6	78.0	1.3	98.0	1.6	Total	116.0	1.9	18.4
								Maxie Inc.			
								Monarch Co.			
23.2	0.4	19.0	0.3	18.0	0.3	17.0	0.3	Nesbitts	17.3	0.3	1.8
NA	—	15.0	0.3	16.0	0.3	17.0	0.3	Frostie Root Beer	16.8	0.3	(1.2)
15.1	0.3	14.3	0.2	14.4	0.2	14.4	0.2	NuGrape	15.0	0.3	4.2
9.3	0.2	8.9	0.2	8.5	0.2	8.4	0.1	Sun Crest	8.3	0.2	(1.2)
2.2	—	2.2	—	2.2	—	2.2	—	Maxie	2.3	—	4.5
1.0	—	0.7	—	NA	—	NA	—	Kickapoo	NA	—	—
4.3	0.1	3.9	0.1	3.5	0.1	3.0	0.1	Mason's Root Beer	2.5	—	(16.7)
2.5	—	2.1	—	1.9	—	0.7	—	Flavette	NA	—	—
2.4	—	2.0	—	1.8	—	1.3	—	Dr. Wells	1.1	—	(15.4)
26.9	0.5	31.9	0.6	33.0	0.6	34.0	0.6	Other	33.0	0.5	(2.9)
86.9	1.5	100.0	1.7	99.3	1.7	98.0	1.6	Total	96.3	1.6	(1.7)
487.3	8.9	425.6	7.5	370.2	6.3	343.5	5.7	Others	289.5	4.7	(15.7)
5,500.0	100.0%	5,700.0	100.0%	5,875.0	100.0%	6,035.0	100.0	Grand Total	6,190.0	100.0%	2.6

Source: Lehman Brothers Kuhn Loeb Research

Copyright: John C. Maxwell, Beverage Industry
April 22, 1983

Estimated market share of soft drinks



Source: Lehman Brothers Kuhn Loeb Research

Copyright: John C. Maxwell and Beverage Industry April 22, 1983

Dr Pepper was off 3.3%; Coke's Mr. Pibb was down 13.2%.

caffeine free

How important are caffeine free soft drinks to the market and will they maintain their importance?

Seven-Up believes they will. "Seven-Up is advertised on the merits of good tastes and quality as well as no-caffeine," said Edward W. Frantel, president and chief executive officer.

"Good taste and quality will always be in vogue. As for caffeine, we have seen over the past few years that consumers are more and more concerned about ingredients such as caffeine.

"As long as that interest and concern continues, and there is no indication that it will not continue, then consumers will most probably be interested and aware that Seven-Up does not contain caffeine," he added.

But others aren't so sure. "This will be the peak caffeine-free year," one industry source said. "But after that it's hard to speculate. Who knows what '84, '85 or '86 will hold. I think it will die if Coke doesn't get into it. They're such a major force in the industry," he added.

While caffeine-free and diet drinks are being credited for the industry's growth, some believe they could be detrimental in the long run.

"Caffeine-free soft drinks get people worried about the contents of soft drinks. Before, people never really thought about their contents. Soft drinks have always had a clean, safe image, but this gets people wondering about them," said one source.

Seven-Up refutes this though. "I see no reason to believe that the industry has been hurt in any way," said Frantel.

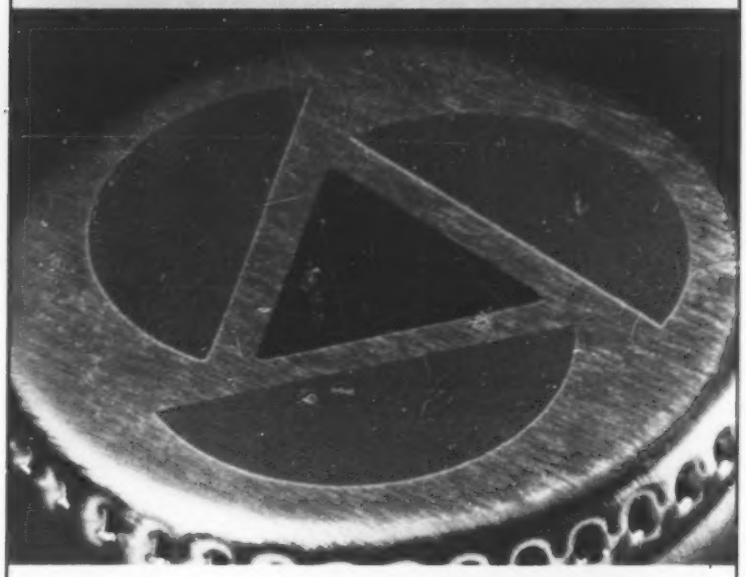
"If anything, our advertising has shown that we are concerned with consumers' interests. I don't believe that could be bad for the industry. The industry itself has continued to grow, so obviously it is not bad for the industry. If it's so bad for the industry, then why has the entire industry, after such self-righteous outcries, followed us with no-caffeine brands of their own? Seems like it has helped the industry," he added.

On the other hand, diet drinks may pose a different problem.

"People don't consume diet drinks in mass quantities like they consume regular soft drinks," said one source.

"If they grab enough of the market they could have a negative effect on the industry. The trend toward diet soft drinks might represent more than weight consciousness. It could represent a

DECORATE



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trend toward moderation," he added.

In what turned out to be a disappointing year overall for the industry, some companies have been able to boast about double-digit volume increases.

"Seven-Up gained in popularity because it was aware that consumers were becoming more interested in caffeine . . . ," said Frantel. According to Maxwell, Seven-Up had a 12.2% volume gain for the year.

H. Alton LeBeau, Jr., president of Cadbury Schweppes USA, said his brands jumped 13.2% in 1982 because Schweppes has been working with bottlers on an effective marketing program and because more consumers are considering the high quality of Schweppes a better value.

"It was a combination of things for us," said Lou Lowenkron, president of A&W, whose sugar-free root beer posted a 10.1% increase.

Lowenkron said expansion into previously untapped markets, conversions from brokers to bottlers and a large advertising budget were the major factors in its success.

James Fletcher, senior vp-marketing and sales for Shasta, said an increase in distribution of brand sales in 2-L PET and the hiring of a new ad agency were the major reasons for its 18.3% jump.

But, in addition, Shasta purchased C&C Cola from ITT and expanded distribution of its Capri Sun fruit drink, which helped sales. In fact, Capri Sun went national in January.

Don Tassone, spokesman for Procter & Gamble, which owns Crush International, said an increased advertising budget, reformulated flavors and new packaging were keys to its success.

Crush reformulated its Hires Root Beer to make it creamier and better tasting and is test marketing a reformulated orange Crush flavor.

Although he wouldn't give details, Tassone said Crush has also "enhanced promotions to make them more attractive."

The result is that Crush International saw its sales volume increase 9.9% last year.

"We're helping bottlers find answers to their number one problem—keeping prices down," said J.W. Brooks, president of Squirt, which had a 10.2% gain in 1982.

"We're trying to manage a franchise company with a

The Winners

Sunkist	Up 18.4%
Shasta	Up 18.3%
Faygo	Up 18.3%
Schweppes	Up 13.2%
Barq's	Up 13.0%
Yukon (A&P)	Up 12.9%
Seven-Up	Up 12.2%
Squirt Co.	Up 10.2%
Crush International	Up 9.9%
Check (Winn-Dixie)	Up 9.1%
Royal Crown	Up 6.8%
A&W	Up 5.7%
Big K (Kroger)	Up 4.5%

Estimated market share by type*

1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981		1982
63.0%	63.0%	63.0%	62.5%	61.7%	62.1%	62.2%	62.4%	62.3%	62.3%	62.4%	62.6%	Cola	62.1%
12.0	12.0	12.0	12.5	12.8	12.9	12.7	12.4	12.3	12.1	11.8	11.6	Lemon-Lime	12.0
3.9	3.9	4.6	5.0	5.2	5.3	6.7	7.3	7.7	7.9	8.0	8.0	Pepper Type	7.8
8.3	8.4	8.4	8.2	8.0	7.9	7.8	7.4	7.4	7.3	7.4	7.4	Orange	7.6
4.5	5.0	5.0	5.0	5.2	5.2	5.2	5.3	5.4	5.5	5.5	5.5	Root Beer	5.4
8.4	7.7	7.0	6.8	7.1	6.6	5.4	5.2	4.9	4.9	4.9	4.9	All Others	5.1
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	Total	100.0%

*Includes diet drinks.

Source: Lehman Brothers Kuhn Loeb Research

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April 22, 1983

Top ten drinks

1979 Mil. Cases	1979 Pct. Market	1979 Pct. Change	1980 Mil. Cases	1980 Pct. Market	1980 Pct. Change	1981 Mil. Cases	1981 Pct. Market	1981 Pct. Change		1982 Mil. Cases	1982 Pct. Market	1982 Pct. Change
1,365.0	23.9	2.2%	1,425.0	24.3	4.4%	1,463.0	24.2	2.7%	Coca-Cola	1,478.0	23.9	1.0%
1,022.0	17.9	5.5	1,056.0	17.9	3.3	1,104.0	18.3	4.5	Pepsi-Cola	1,120.0	18.1	1.4
320.0	5.6	(0.6)	317.0	5.4	(0.9)	301.0	5.0	(5.0)	Seven-Up	325.0	5.2	8.0
311.5	5.5	4.0	323.0	5.5	3.7	326.0	5.4	0.9	Dr Pepper	315.4	5.1	(3.3)
170.0	3.0	14.1	188.0	3.2	10.6	216.0	3.6	14.9	Tab	237.0	3.8	9.7
165.0	2.9	4.4	171.0	2.9	3.6	178.0	2.9	4.1	Sprite	197.5	3.2	11.0
142.0	2.5	11.8	154.0	2.6	8.5	173.0	2.9	12.3	Diet Pepsi	180.0	2.9	4.0
156.0	2.8	20.0	169.0	2.9	8.3	179.0	3.0	5.9	Mountain Dew	175.0	2.8	(2.2)
159.0	2.8	(3.0)	166.5	2.9	4.7	149.0	2.5	(10.5)	Royal Crown Cola	144.0	2.3	(3.4)
35.0	0.6	288.9	76.0	1.3	117.1	88.0	1.5	15.8	Sunkist	96.0	1.6	9.1
3,845.1	67.5	5.0%	4,045.5	68.9	5.2%	4,177.0	69.3	3.3%	Total	4,267.9	68.9	2.2%

Source: Lehman Brothers Kuhn Loeb Research

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Per capita consumption of soft drinks

	Million cases consumed	Gallons per capita
1982	6,190.0	40.1
1981	6,035.0	39.5
1980	5,875.0	38.8
1979	5,700.0	38.1
1978	5,500.0	37.1
1977	5,260.0	35.9
1976	4,890.0	33.7
1975	4,460.0	31.0
1974	4,460.0	31.4
1973	4,440.0	31.5
1972	4,200.0	30.1
1971	3,950.0	28.6
1970	3,675.0	27.0
1969	3,475.0	25.9

bottler's hat on," Brooks added. "We're trying to understand the bottler's total needs."

He added that diet Squirt's taste is better than most diet drinks and this has won it acceptance in the market place.

But while there were some success stories, growth for the industry overall was only 2.6%. In addition, most don't anticipate much better this year.

"In 1983, we again look for modest growth in the industry, probably in line with the 2.6% increase of 1982," Maxwell speculated. "We point to the fact that for the first time during the 20-odd years that we've been tabulating per capita consumption of beverages, imputed water jumped meaningfully last year. We believe that this relates to the difficult economic situation that has faced the nation ... We may need to see the economy turn for at least a quarter or two before colored beverages in general and soft drinks in particular can show better forward momentum," said Maxwell.

Lowenkron blamed bad weather, a poor economy and high unemployment for the disappointing year.

Another source suggested the industry may be maturing, adding, "Few will speculate that the next year will be a great one. That's just a safe attitude to take."

Monsanto

(Continued from page 1)

based on total daily dietary intakes. And last summer, the agency indicated that "if AN migration is less than .17 ppb from beverage bottle use of AN copolymers it is likely that such use could be authorized in a food additive regulation."

FDA stressed that while it might regard .17 ppb as a safe level, it still felt that due to cumulative exposure from either AN food contact sources, the substance "needs to be subject to the food additive regulatory process."

Monsanto has never considered AN to be a food additive. But it is playing by FDA's rules, having submitted a food additive petition if that's what it takes to finally get the substance approved.

Its petition is the latest in a long series of correspondence with the agency during the past 10 years over the safety of AN. Data Monsanto has submitted since 1972, including the newest testing information on its beverage bottle as well as answers to questions FDA recently posed on the substance, is included in the new petition.

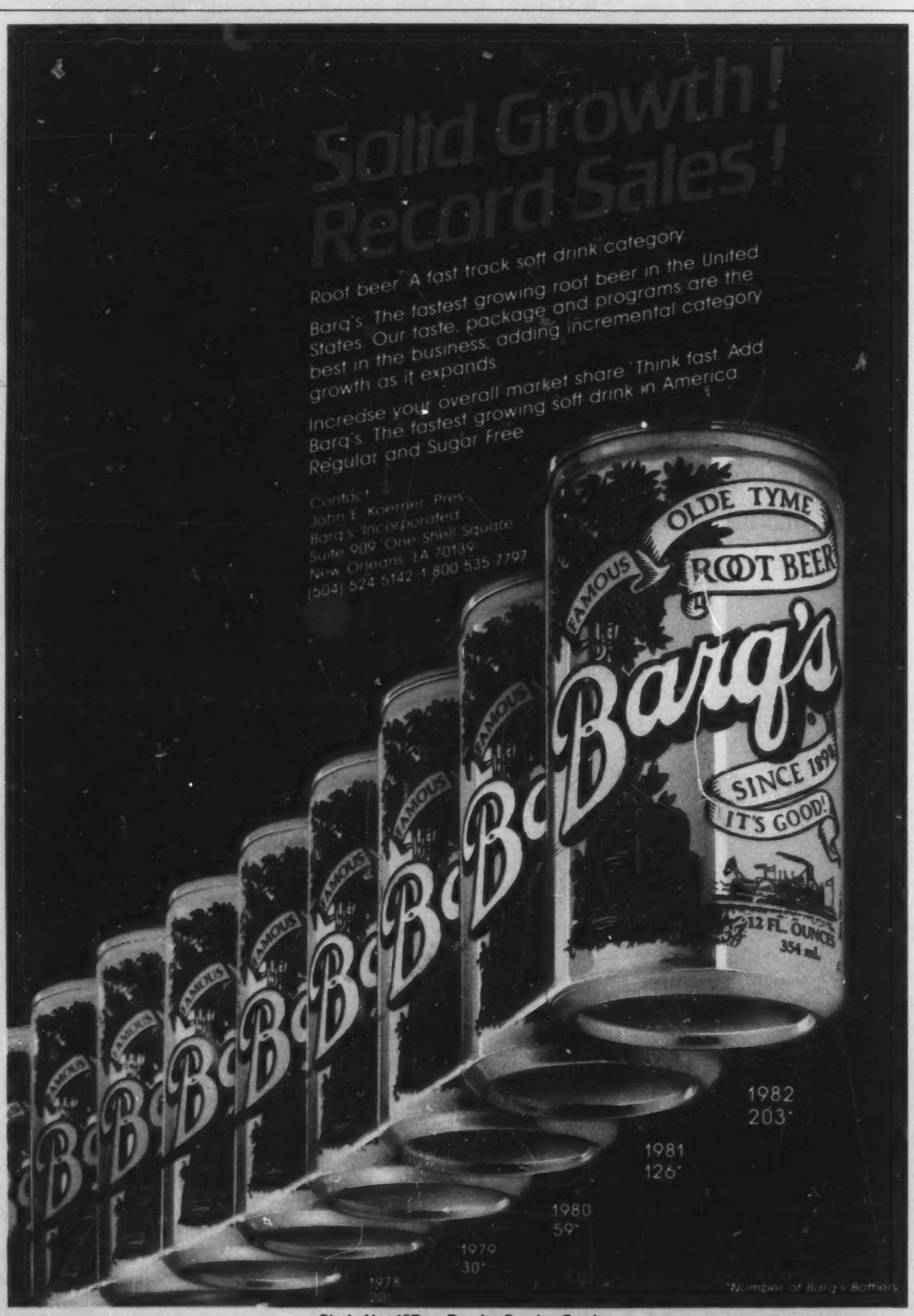
Monsanto is fairly confident that it should win approval this time around since FDA has already indicated that Monsanto has used reliable test methods for determining that there was no AN migration at .16 ppb, which is below FDA's safety threshold.

But time will tell whether the information provided is enough to get AN on the market or the agency still seeks more marketing data before reaching a final decision.

In the meantime, the Society of the Plastic Industry (SPI) is trying to develop a survey form for gathering marketing data on polyvinyl chloride (PVC) in response to an FDA request last fall.

The agency has asked the plastics industry for help in estimating dose levels for PVC and AN in the diet so it can perform risk assessments under the constituents policy.

Since there are more PVC than AN producers, SPI maintains it will be easier to obtain aggregate data on PVC shortly. Once it develops a survey form, it will then seek clearance from FDA before it actually conducts the marketing survey. "It will take a while" before the task is completed, an SPI spokesman told **BI.**



Circle No. 107 on Reader Service Card

Asahi Brewery producing Lowenbrau

TOYKO, JAPAN—Asahi Brewery Co., Ltd., has announced licensed production of the West German beer, Lowenbrau.

The beer was imported by Mitsubishi Trading Co. exclusively since 1977 before the contract expired in 1982.

Lowenbrau will be produced at Asahi's Suita plant near Osaka and distributed to Tokyo and Osaka. The company is aiming for 1 million case sales in 1983.

Budweiser, imported and sold by Suntory Brewery, has attained one million case sales in 1982, followed by Heineken with 0.5 million case sales.

Guinness, imported by Sapporo Brewery, will also be produced locally in the future under license.

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APRIL 22, 1983

Beverage Industry

MARKETING □ DISTRIBUTION □ TECHNOLOGY

AN HBJ PUBLICATION

Taylor wines now in Contour Paks

HAMMONDSPORT, NY—The Taylor Wine Co., Inc. has introduced its Taylor Lake Country Soft wines in single service Plasti Shield bottles. The only wine currently known to be marketed in this type of package, the bottles are sold in groups of four in a Contour Pak carrier. The bottles, foam labels, carriers and closures were all developed by Owens-Illinois, Inc.

The Taylor red, soft white and soft pink, which debuted last summer in the 750 ml and 1.5 liter sizes, were developed to compete with Italian Lambruscos, one of the fastest growing wine categories in America today. Sales figures based on the first few months of availability indicate the beverage is doing well. Plans call for an expanded rollout beginning in April in several key markets on the East Coast.

● For more information on **Taylor Wine Co.** circle no. 191 on reader service card; for more information on **Contour-Pak** circle no. 192 on reader service card.

Hawaiian Punch positioned as mainstream soft drink

SAN FRANCISCO — When Del Monte Corp. unveiled new advertising for its Hawaiian Punch brand in late 1982, the upbeat television campaign unmistakably positioned the brand as a mainstream soft drink.

After replacing Donny and Marie Osmond, who had represented the brand for three years, Del Monte opted for the snappier campaign based around the theme of "Sail Away." In the ads, attractive young adults windsurf, swim and frolic in the sun while sipping Hawaiian Punch.

Del Monte feels the lifestyle and refreshment emphasis in the new campaign reflect the company's growing presence in the beverage industry, says Mark Gutsche, a company spokesman. While Hawaiian Punch in 46 oz. cans, powdered drink mixes and other dry grocery packaging is a huge business for Del Monte, Gutsche explained, the company subsequently believes the brand's potential lies equally with soft drink packaging and distribution.

"Hawaiian Punch is in a unique position," says Stephen G. Rothschild, vice president of dry grocery and beverage marketing. "On the one hand, the brand is one of the grocer's most popular beverages. While, on the other hand, it is enjoying remarkable growth through the efforts of our bottler network."

And with Del Monte repositioning Hawaiian Punch through heavy advertising as a refreshment beverage for young adults, the soft drink side of the business should benefit, Rothschild added.

Today, Hawaiian Punch is produced or distributed by 403 bottlers. That network places the brand among the top five as far as number of bottlers, Gutsche says.

The network also gives Hawaiian Punch in soft drink packaging brand representation to more than 95% of the US population, according to Rothschild.

The company feels such distribution for a brand most

(Continued on page 38)

Pepsi's food division sponsoring NRA awards

PURCHASE, NY—The food service division of Pepsi-Cola Co., located here, recently announced its sponsorship of the industry-wide Most Valuable Promotion Awards for the National Restaurant Association. The program is designed to recognize sales promotion excellence in the food service industry.

Now in its tenth year, the MVP competition is open to all food service operators, with any promotion ran in 1982 being submitted for judging.

A panel of independent judges appointed by the NRA will select up to three winners in each size category — 30 or fewer units, 31 to 100 units and more than 110 units. A grand MVP winner will be chosen from among category winners, Pepsi says, with awards being presented in May at the 64th Annual NRA Restaurant-Hotel/Motel Show in Chicago.

Criteria for judging the competition is originality and creativity of idea, quality of execution and achievement of pre-established, measurable objectives, Pepsi says. Participants submit detailed descriptions of their promotions, along with support materials used, such as point-of-purchase material, TV and radio commercials, premium samples, posters and photographs.

"Through the MVP program we're trying to stimulate the industry in the area of consumer promotion and recognize outstanding results," said Edwin Mellett, president of Pepsi's food service division.

U.S. hot beverage market experiencing resurgence

By Holly Klokis

SPECIAL REPORT—The U.S. hot beverage market, after experiencing sluggish growth for nearly 30 years, seems to be on the road to recovery. The increase of white collar workers, the age distribution of the population, decaffeinated coffee brands and new advertising techniques are helping to change the image

(Continued on page 6)

Trends in manufacturers' sales of hot beverages by type
(Dollars in Millions)

	Total hot beverages	Coffee	Tea	Powdered cocoa*	Total annual % change
1972	$ 2,590.7	$ 2,163.4	$ 340.8	$ 86.5	—
1973	2,887.4	2,405.3	380.9	101.2	11.5%
1974	2,998.1	2,440.4	415.7	142.0	3.8
1975	3,428.8	2,806.0	430.5	192.3	14.4
1976	4,903.6	4,275.1	441.0	187.5	43.0
1977	6,136.5	5,217.8	700.6	218.1	25.1
1978	6,505.1	5,485.5	752.0	267.6	6.0
1979	6,393.9	5,350.2	741.3	302.1	-1.7
1980	6,734.3	5,588.2	821.3	324.8	5.3
1981	6,244.2	5,040.1	886.4	317.7	-7.3
1982P	6,440.5	5,222.6	905.0	321.9	3.1
1992P	12,994.5	10,184.7	2,249.4	560.4	7.3**

*Sweetened or mixed with other substances
**Compound annual growth rate
P-Projections by BTA

Source: Business Trend Analysis, U.S. Dept. of Commerce

Copyright: Beverage Industry, April 22, 1983

Consumption of coffee in the U.S. by age group winter 1950 to 1980
(Cups Per Person Per Day)

	1950	1965	1973	1974	1975	1976	1977	1978	1979	1980
Age Groups										
10-14	.21	.12	.09	.11	.10	.11	.07	.07	.09	.06
15-19	1.13	.77	.54	.46	.57	.42	.45	.43	.27	.29
20-24	2.34	2.42	1.65	1.35	1.38	1.15	1.36	1.37	1.10	1.17
25-29	2.78	3.35	2.44	2.70	2.23	2.03	1.89	2.00	1.66	1.77
30-39	3.02	4.01	3.28	3.02	2.94	2.76	2.62	2.91	2.91	2.72
40-49	2.98	4.16	3.75	3.68	3.79	3.44	3.49	3.20	3.56	3.18
50-59	2.85	3.54	3.44	3.49	3.21	3.34	3.22	3.25	3.36	3.28
60-69	2.22*	2.96	2.70	2.72	2.77	2.93	2.72	2.73	2.53	2.64
70 & over	NA	2.47	2.30	2.22	2.29	2.44	2.00	2.11	2.18	2.15
Sex:										
Male	2.49	2.91	2.35	2.25	2.29	2.19	2.12	2.09	2.16	2.14
Female	2.28	2.68	2.25	2.24	2.12	2.05	1.95	2.03	1.96	1.90

*Includes all persons 60 years of age and older

Source: Intl. Coffee Organization, Winter Coffee Drinking Study 1981

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Hot beverages

(Continued from page 4)
of hot beverages, leading to an increase in per capita consumption, according to a recently released report.

"The U.S. Hot Beverage Market," compiled by Business Trends Analysts, Inc., projects an upswing for hot beverages with modest growth of 7.3% throughout the coming decade, and industry sales at $12.9 billion by 1992.

coffee

Coffee, the largest segment of the hot beverage market at 81% of total sales in 1981, will probably fare better in the future, according to the report. Sales in pounds are expected to grow at a compounded annual growth rate of .7% through 1992, reaching 2,292.4 million lbs. by that year.

One factor expected to contribute to the increase is the aging of those born during the baby boom of the '50s and '60s. The median age of the U.S. population is now 30, within the range of the highest per capita coffee drinkers, which the report puts at 30-59 years.

Another factor is the new generation of coffee makers that make better tasting coffee quicker and more conveniently than perculators, drip pots, etc.

In addition, many reports and findings have been published recently that challenge and dispel notions that normal consumption of foods and beverages containing caffeine is harmful. And, while many people have switched to decaffeinated coffee, that too, came under attack recently because of the questionable safety of the chemicals used in the processing.

Rapid growth of tea bags—for hot and iced tea—will account for most of this growth.

Tea, now constituting 15% of hot beverage sales, is expected to grow to 17% by 1992, according to BTA. The popularity of iced tea, and the fact that it contains substantially less caffeine than coffee, has helped it maintain its level of consumption over the years.

As the population matures, the tea industry is expected to continue its relative pace of 3% in pounds and 9.5% in dollar sales per year, to a total of $2,249.4 million in 1992. By that year, tea bags will make up 46.6% of total tea sales as iced tea mixes and instant tea gain popularity. Sales of tea bags currently constitute 50% of total sales.

Instant iced tea mixes have been the most rapidly growing segment of the tea market for the past decade,

(Continued on page 24)

Manufacturers' sales of roasted coffee by type

(Dollars in Millions)

	Total roasted coffee	Roasted coffee (whole bean or ground)	Concentrated coffee	Roasted coffee, NSK	Total annual % change
1963	$1,602.7	$1,206.4	$ 396.3	—	—
1967	1,793.9	1,375.3	365.6	$ 53.0	2.9%*
1972	2,163.4	1,517.7	598.8	46.9	3.8*
1973	2,405.3	1,676.6	679.1	49.6	11.2
1974	2,440.4	1,752.3	672.5	15.6	1.5
1975	2,806.0	1,901.1	906.8	NA	15.0
1976	4,275.1	2,947.3	1,318.3	NA	52.4
1977	5,271.8	3,674.5	1,387.8	155.5	22.1
1978	5,485.5	3,825.0	1,525.5	NA	5.1
1979	5,350.5	3,731.2	1,585.0	34.0	-2.5
1980	5,588.2	4,043.2	1,519.2	25.8	4.4
1981E	5,040.1	3,643.2	1,373.6	23.3	-9.8
1982E	5,222.6	3,745.2	1,453.3	24.1	3.6
1992P	10,184.7	7,182.0	2,958.7	44.0	6.9

E-Estimates by BTA
P-Projections by BTA
NA-Not Available
*Compound annual growth
Source: U.S. Dept. of Commerce

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Manufacturers' sales of powdered cocoa

(Dollars in Millions)

	Total sales	Annual % change
1972	$ 86.5	—
1973	101.2	17.0%
1974	142.0	40.3
1975	192.3	35.4
1976	187.5	-2.5
1977	218.1	16.3
1978	267.6	22.7
1979	302.1	12.9
1980	324.8	7.5
1981	317.7	-2.2
1982E	312.9	-1.5
1992P	560.4	6.0*

E-Estimates by BTA
P-Projections by BTA
*Compound annual growth rate
Source: U.S. Dept. of Commerce

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Total media expenditures for hot beverages by product category

($000)

	1975	1978	1979	1980	1981
Coffee	$60,448.5	$134,327.7	$176,302.6	$194,563.5	$190,864.1
Tea	13,200.0	23,356.7	24,820.4	25,569.7	28,290.2
Cocoa mix	6,557.3	12,668.1	10,355.6	8,179.6	6,467.3
Total, Hot Beverages	80,205.8	170,372.5	211,476.6	228,312.8	225,621.6

Source: Leading National Advertisers

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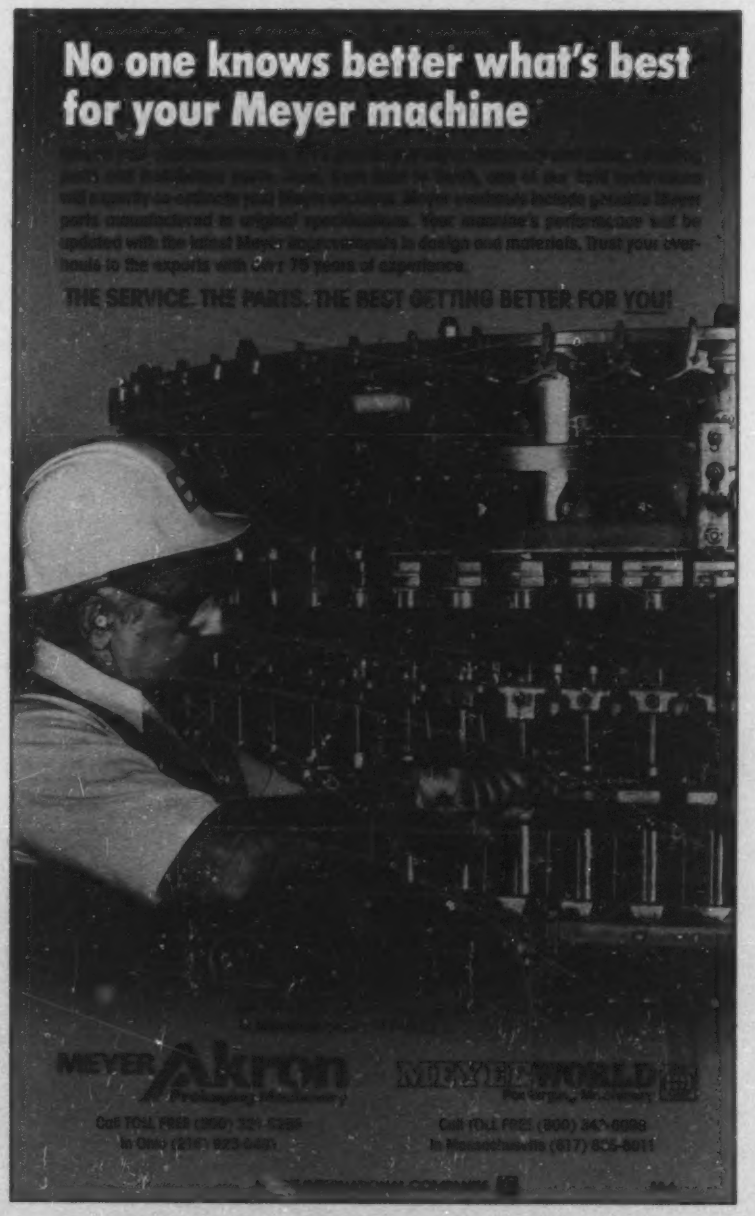
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Hot beverages

(continued from page 6)

outpacing overall tea sales and increasing at a rate of over 17% compounded annually. Sales of instant tea mixes totaled 160.7 million pounds and $234.9 million during 1981.

hot cocoa

Unlike the other segments of the hot beverage market, hot cocoa volume will show little increase until later this decade. While sales of powdered, sweetened cocoa mix have grown at a compounded annual rate of 14% for the past 10 years, sales in volume have declined at approximately .5% per year. This implies that the increase in dollar sales has been almost entirely due to increase in price.

Demographic factors appear to be the main cause of declining sales, according to BTA. The adolescent and youth segment of the population, the primary users of hot cocoa, have been a declining proportion of the population. The early 1980's, states the report, are experiencing a "mini baby boom," as more women are entering their childbearing years. These babies will constitute the hot cocoa market of the near future.

low calorie

In order to compensate for sluggish sales, hot cocoa producers introduced a number of new products over the past several years. Low calorie hot cocoa mix is intended to appeal to today's weight conscious consumer, while flavored cocoa, such as mixtures of coffee and cocoa, give consumers a broader product range to choose from.

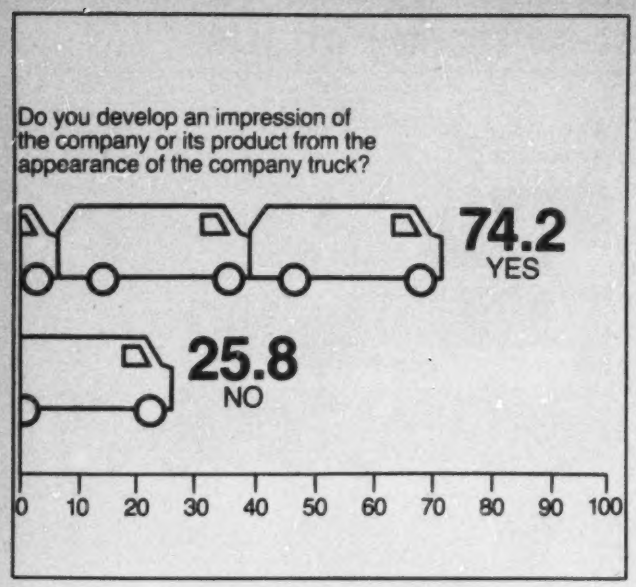
To obtain a copy of "The U.S. Hot Beverage Market," contact Business Trend Analysts, 2171 Jericho Turnpike, Commack, NY 11725, 516/462-5454. It is available for $475.

Manufacturers' sales of tea by type

(Dollars in Millions)

	Total tea sales	Tea bags	Loose	Instant tea
1972	$340.8	$176.9	$21.5	$ 86.0
1973	380.9	185.0	18.8	98.3
1974	415.7	203.9	19.9	102.2
1975	430.5	178.9	20.6	117.9
1976	441.0	190.1	21.7	124.0
1977	700.6	344.3	32.0	161.4
1978	752.0	364.3	31.9	161.2
1979	741.3	367.2	26.7	150.1
1980	821.3	415.2	26.2	164.0
1981	886.4	456.1	25.1	170.3
1992P	2,249.4	1,047.6	27.0	285.4

P-Projections by BTA
Source: Business Trend Analysts Inc.


Do you develop an impression of the company or its product from the appearance of the company truck?
74.2
YES
25.8
NO
0 10 20 30 40 50 60 70 80 90 100

Clean fleet

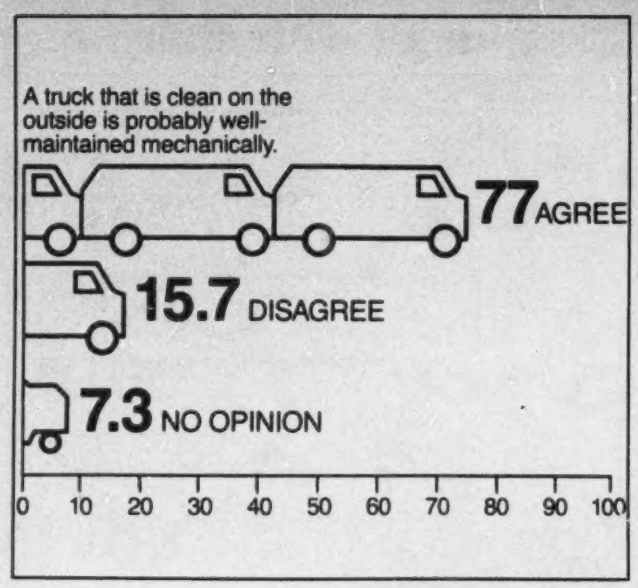
(Continued from page 25)

graphics were the most noticeable and regarded as the safest. Company image can also be enhanced by increasing the amount of reflective markings, the study reported.

Since trucks are viewed as more dangerous at night, the study said that reflective graphics could greatly improve the night-time safety image of trucks.

cleanliness

The study showed that cleanliness was the most important factor in promoting a positive company image and in making trucks appear safer and better-driven.


A truck that is clean on the outside is probably well-maintained mechanically.
77 AGREE
15.7 DISAGREE
7.3 NO OPINION
0 10 20 30 40 50 60 70 80 90 100

Clean trucks were identified as more noticeable than dirty ones. But dirty trucks with graphic markings were seen as safer and better-driven than dirty trucks without any graphics at all. In fact, dirty trucks without graphics scored lowest in every case.

The study said that while some may feel it better not to have the company or product name on a dirty truck, the study did not bear this out. A dirty truck is simply not as noticeable.

"Keeping your fleet clean only increases the power of the graphic display in creating a positive company image," the study said.

In addition, trucks without graphics were seen as "big and threatening," but the same trucks with graphics were not identified as threatening. So graphics can be effective in making trucks appear smaller than they really are.

Richard Staley, senior economist with the American Trucking Foundation and author of the study, said he also found messages are retained better and easier seen if bold letters are used to form short messages.

In addition, messages will be seen by more motorists if they are placed on the side of the truck. If they are placed on the back, they will be seen by fewer people, but for a greater period of time. He said placing messages on the front of the truck is almost useless.

Staley said a truck can convey messages in places you couldn't put a billboard, like in residential areas. "A truck can sometimes give a company a sign larger than any city zoning law would permit," Staley said.

Staley said most in the beverage industry strive for a clean-scrubbed image often using white backgrounds.

• For more information on **3M's Fleet Graphics** circle no. 236 on reader service card.

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Trucks

Glider kits decrease truck investment costs

A number of fleets and truck manufacturers have come to regard glider kits as an effective means of reducing truck ownership costs. A glider kit consists of a completely assembled cab and chassis, less the engine and accessories, transmission, clutch, driveline, and drive axle assembly. Glider kits have been offered by most major truck manufacturers for years, historically to utilize the powertrain components from late model wrecks or fire damaged vehicles.

Now, however, there is a growing emphasis on using glider kits as a low cost means of upgrading the fleet. Remanufactured component assemblies are now available on an immediate exchange basis from larger distributors, which makes kit assembly much quicker than overhaul.

remanufacturer

Remanufacture of drivetrain components normally costs in the range of 40 to 60% of new component prices. With remanufactured drivetrain components, a new glider kit and assembly labor costs, the beverage fleet operator should gain the equivalent of a new truck for about 60% of the dealer's price.

The reliability of remanufactured components has been proven. Manufacturers such as Caterpillar, Cummins and Mack, replace all internal engine components subject to wear with magnetic particle inspection of the engine block. Assembly line production techniques and rigid quality control standards enable them to give warranties identical to those on new engines, and the remanufactured engines do, in fact, give a service life equal or superior to that of new engines. An executive at the former IHC ReNew Center in Springfield, MO, once pointed out that engines may be successfully remanufactured time after time. He pointed out that the popular DT 466, which was used in backhoes and other construction equipment for years before it was adapted to medium duty trucks, is often remanufactured four to six times at a cost of 40-50% of a new engine's price.

Many independent rebuilders also do high quality work on all the major powertrain components. In some cases, however, rebuilding is done on a custom basis, using the engine block or transmission and differential housings supplied by the fleet. This can delay the completion of the glider kit assembly and require that the existing truck be out of service for a much longer period of time.

In addition to the outright cost of a glider kit assembly, compared to the purchase price of a new truck, several other economic factors should be considered. The first is downpayment and interest cost considerations. If

COMPARISON OF NEW TRUCK VS. GLIDER KIT OWNERSHIP COSTS AND SAVINGS*

	New truck		Glider kit		Savings
Purchase cost	$60,000		$39,000		$21,000
Downpayment (20%)	12,000		7,200		4,800
Interest and principal					
Year 1	17,062		11,302		5,760
2	17,062		11,302		5,760
3	17,062		11,302		5,760
4	17,062		11,302		5,760
Maintenance costs					
Year 1	7,000	(.07 mi.)	7,700	(.077 mi.)	(700)
2	7,000		7,700		(700)
3	7,000		7,700		(700)
4	7,000		7,700		(700)
Sub-Total	$108,248		$83,208		$25,040
Less trade in (4 years)	25,000		15,000		(10,000)
Total cost	$83,248		$68,208		$15,040

*Based on data compiled by IHC on Transfer models.

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an assembled glider kit can be financed at 60% of the cost of a new truck, a savings of 40% of the downpayment and interest charges results. An executive of one truck manufacturer says, "Interest has been running high in glider kits simply because of increased new truck prices and high interest rates. Most fleets seek alternatives to paying in excess of 15% interest on new truck purchases. If prime rates continue to decline, we expect an equivalent decline of interest in gliders."

Another factor to consider is the tax status of glider kits. If the buyer uses two of the three major drivetrain components (engine, transmission, and drive axle) from an existing vehicle, the glider kit is considered a replacement part. Truck parts and accessories were recently exempted from federal excise tax while FET on new trucks was increased to 12% of list price. A Volvo-White dealer pointed out, "We are discounting new truck prices about 20% at the moment. But if the sticker price is $50,000, the customer is still liable for $6,000 in FET regardless of the actual selling price. That and the exemption of replacement parts are bound to making kitting more attractive to cost conscious fleets."

tax liability

The latest revisions of excise tax laws are so new that definitive interpretations have not been established. Virtually every dealer has his own approach to the problem and some see the collection of FET on glider kits as a means of self protection. Many are accustomed to selling glider kits as a package-supplying remanufactured components on an exchange basis and assembling them in the dealer's shop. This could create some questions about the legitimacy of kitting as a "repair." Mack offers glider kits with a remanufactured engine already installed. Another manufacturer is reportedly considering factory assembly of the total package, using the customer supplied powertrain. In both cases, questions of tax liability could arise.

labor taxable

A further complication is making new labor on remanufacturing operations subject to FET. FET could conceivably be applied to labor charges for kitting as well as the exchange price on remanufactured component assemblies.

Even more clouded is the approach to depreciation schedules for tax purposes. Each district IRS office establishes its own guidelines. In some cases, schedules are identical to those applicable to new trucks. In other areas, rules are much less liberal.

The latest revisions of excise tax laws are so new that definite interpretations have not been established.

Even the kit manufacturers hesitate to discuss the taxable depreciation status of their products. They advise having the fleet tax consultant or attorney seek an individual ruling from the appropriate IRS office.

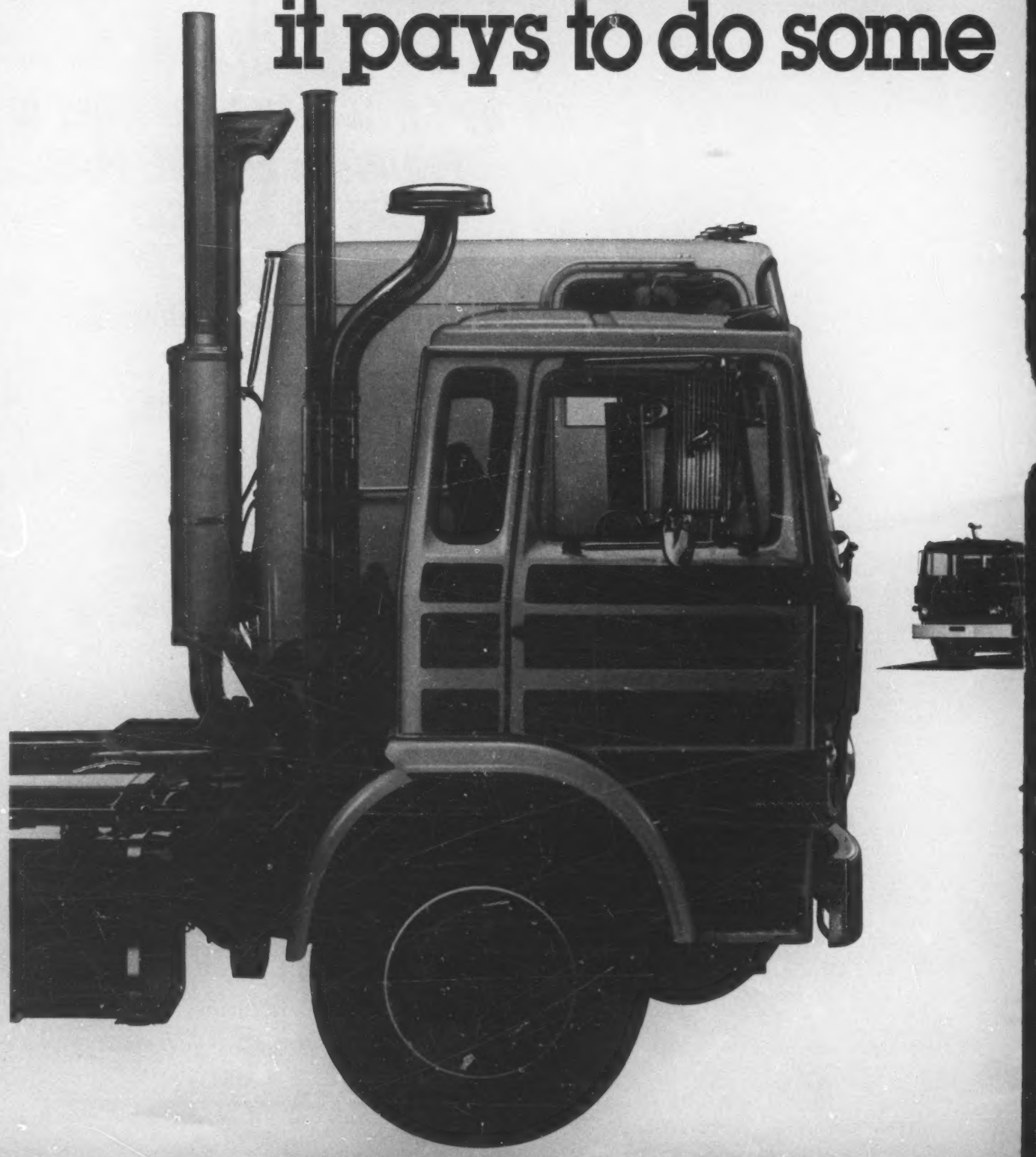
The same rule of thumb applies to state registration and licensing standards. Most states treat the assembled kit as a new truck with an older drivetrain. But there is sufficient variance between states to justify seeking an individual ruling to eliminate confusion at local licensing bureaus, many of which have never dealt with glider kits. The seeming confusion over tax and registration standards for glider kits resulted from a rash of fraudulent truck sales several years ago. Some dealers apparently installed drivetrains from used trucks in glider kits and sold them as totally new trucks.

Besides the immediate economic advantages of kitting, a high degree of flexibility becomes possible. A beverage fleet that contemplates converting from straight trucks to route trailers, for example, may find glider kits a low cost means of utilizing existing equipment. Converting from a long wheelbase, conventional cab model, to a short wheelbase COE only requires shortening the driveline. Careful attention must be paid to driveline phasing and angularity. Nor does the make and model of the glider kit have to be identical to the existing truck, in most cases. The kit manufacturer simply supplies the proper engine and transmission mounts for whichever components will be used.

Since the energy crisis of the mid 70's, a wholesale conversion from gasoline to diesel power has occurred among beverage bottlers and distributors. This move resulted in higher new truck prices to cover additional costs of the diesel engine as well as heavier transmissions, clutches, drivelines and drive axles to match higher torque output. Some of those fleets are now finding that route service, with its attendant curbing, potholes and frequent brake applications, tends to destroy the chassis well in advance of the heavy duty drivetrain.

Glider kits enable a fleet to reuse the powertrain almost

Before you buy a
it pays to do some



indefinitely, with periodic replacement of the cab and chassis. White offers a glider kit in its Road Xpeditor 2 series. International has a complete range of S series kits and GMC offers kits in most medium duty series models. Some fleets might even find kitting an attractive means of upgrading their vehicles with heavier frames and steering axles.

Extensive use of glider kits has not occurred among operators of medium duty trucks. An IH salesman says, "Our glider sales have been confined to heavy duty over-the-road and construction vehicles. Route truck buyers are attuned to outright replacement."

If the emphasis does shift to the use of gliders, the full service truck leasing companies will probably play a major role. During the past three years, the combination of high inflation, interest rates and tight money supplies has prompted many companies to think in terms of renovation and kitting to reduce investment and to lower customer service charges. One lease company branch manager told **BI**, "If we can keep a truck in service for eight years instead of four without increased downtime or maintenance costs, it simply makes leasing a more attractive and lower cost option to truck ownership."

Historically, the alternative to truck replacement has been major repair. But repair costs and downtime, in particular, tend to escalate with the age of the unit. This is particularly true of cab sheet metal, electrical systems, air wiper motors, air conditioners and steering assemblies. None of these systems normally require a major, big ticket repair, but frequency of maintenance and the downtime involved can consume a lion's share of the maintenance budget.

In coastal areas with a salt laden atmosphere or in the snowbelt where heavy use of deicers occurs, cab corrosion becomes a major problem. Some fleets, in fact, are forced to replace cabs every four to five years or trade trucks simply for the sake of appearance. The cost of a new cab alone can total about one-half the price of a glider kit, particularly when purchase and installation of a new wiring harness, painting and change out of instruments, seats, controls and other accessories is also being considered.

Extensive use of glider kits has not occurred among operators of medium duty trucks. Sales have been confined to heavy-duty over-the-road and construction vehicles.

Assembly of a glider kit requires about 100 man hours. Manufacturers usually consider the cost to be about $2,800. This figure varies depending upon the area and the shop handling the assembly.

Some fleets assemble glider kits in their own shops. Space and equipment needs are relatively modest. The older truck and glider kit should be parked side by side with additional room to maneuver the drive axle/suspension assembly. In addition to the mechanic's standard hand tools, a pedestal or magnetic drill, jack stand, hoist, welder and air supply are necessary. If the existing suspension is rebushed in the shop, a hydraulic press is essential.

For most small fleets, the real problem in kitting revolves around personnel. Kit manufacturers recommend that kitting not be regarded as a fill-in job for reasons of greater downtime, possible loss of components or hardware and less effective supervision. Nevertheless, some fleets do assemble kits during slack periods when mechanics would normally be idle part of the day or laid off.

Close supervision and expediting also become necessary. If all powertrain and engine accessory components are remanufactured, delivery must be coordinated to avoid assembly delays. Some hardware must be purchased separately. Engine electrical connections, radiator hoses, battery cables and suspension attaching bolts are examples. One kit manufacturer estimates the cost of miscellaneous items at 3½% of the glider kit cost. Whether the dealer assembles the kit or the job is done in the fleet shop, a clear understanding of the nature and amount of additional costs should be determined.

Glider kits aren't for everyone. In some cases, the resale value of existing equipment makes outright replacement less expensive than glider kit conversion. The used truck market is always a variable factor that must be considered. But if upgrading the fleet at low cost is required, and used or remanufactured powertrain components are available, glider kits deserve management's consideration.

● For more information on **International Harvester** circle no. 241; **Caterpillar Lift Trucks** circle no. 242; **Mack Trucks** circle no. 243; **Cummins Engine Co.** circle no. 244; **White Motor Corp.** circle no. 245; **GMC Truck** circle no. 246.

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